

HCS SS#2 SCS SB 248, 100, 118, 233, 247, 341 & 420 -- RETIREMENT SYSTEMS AND BENEFITS

SPONSOR: Gross (Smith, 118)

COMMITTEE ACTION: Voted "do pass" by the Committee on Retirement by a vote of 10 to 0.

This substitute revises provisions pertaining to various retirement systems and establishes a medical and retirement incentive plan for state employees.

PROSECUTING AND CIRCUIT ATTORNEYS RETIREMENT SYSTEM

Effective August 28, 2003, the retirement funds for this system will be obtained from a \$6 surcharge assessed on all criminal cases, including violations of county ordinances and traffic laws in Missouri.

ST. LOUIS POLICE RETIREMENT SYSTEM

The substitute requires members of the St. Louis Police Department to receive six weeks of paid vacation each year if members have at least 30 years of service and are eligible to participate in the Deferred Retirement Option Plan (DROP).

KANSAS CITY POLICE RETIREMENT SYSTEM

Active members of the retirement board who are currently serving as a police officer or a civilian employee can receive up to 10 days of paid leave to attend meetings and seminars as approved by the board. An early retirement incentive program is established if the city covers full actuarial costs to the system. Finally, the substitute provides a funeral benefit of \$1,000 for eligible civilian employees.

RETIREMENT SYSTEMS FOR HIGHWAYS AND TRANSPORTATION EMPLOYEES, THE HIGHWAY PATROL, AND STATE EMPLOYEES

The substitute makes the following changes to the Highways and Transportation Employees' and Highway Patrol Retirement System (HTEHPRS), Missouri State Employees' Retirement System (MOSERS) and the Missouri State Employees' Retirement System, Year 2000 Plan (MSEP 2000):

(1) The "80 and out" eligibility age is reduced from 50 years of age to 48 years of age for members of HTEHPRS, MOSERS, and MSEP 2000;

(2) Uniformed members of the State Highway Patrol who have

served as a non-federal, full-time public employee in Missouri prior to becoming a member of HTEHPRS are allowed to purchase prior credited service not to exceed four years. This purchase is subject to certain conditions;

(3) Effective September 1, 2003, HTEHPRS members are prohibited from requesting or applying for disability benefits. The Board of Trustees is authorized to contract for the provision of disability benefits. HTEHPRS members can waive their right to receive any disability benefit;

(4) The purchase of prior credited service by members of MOSERS and the MSEP 2000 who have served in the military is revised to no longer require the filing of an affidavit;

(5) Former and current members of the General Assembly are allowed to elect simultaneous credited service if a former or current member becomes a state employee or state officer. This provision is effective August 28, 2003;

(6) Members of the Board of Trustees of MOSERS are required to file a financial disclosure form with the Missouri Ethics Commission;

(7) Members of certain retirement systems, including MOSERS and MSEP 2000, can purchase additional life insurance benefits, subject to certain conditions;

(8) Certain employees who were transferred to the Department of Transportation can elect to participate in HTEHPRS or MSEP 2000. The election must be made within 90 days of July 1, 2003;

(9) A provision pertaining to the division of marital benefits order for an annuity paid under MSEP 2000 is corrected;

(10) The normal retirement eligibility for members of the General Assembly is changed from three full biennial assemblies to two full biennial assemblies; and

(11) A provision pertaining to the designation of an agent for a beneficiary under MSEP 2000 who becomes disabled is corrected.

ADMINISTRATIVE LAW JUDGES AND LEGAL ADVISORS RETIREMENT SYSTEM

The substitute prohibits any revisions to this retirement system previously established by law.

STATE EMPLOYEES' MEDICAL AND RETIREMENT INCENTIVE PLAN

The substitute contains provisions pertaining to medical

insurance and retirement incentives for state employees who are members of HTEHPRS, MOSERS, or MSEP 2000. Members of each system must retire prior to February 1, 2004, and be eligible for medical coverage under the Missouri Consolidated Health Care Plan (MCHCP).

In its main provisions, the substitute:

(1) Allows any retiree to elect to continue medical coverage at the same costs as if the retiree were an active employee for a maximum period of five years or until the retiree is eligible for Medicare or reaches 65 years of age, whichever occurs first;

(2) Requires the costs for medical coverage for eligible retirees to revert to the applicable rate after the five-year period expires or when the retiree becomes eligible for Medicare or reaches 65 years of age;

(3) Requires any additional years of service credited to a retiree's annuity to be applicable to the costs of medical coverage after the retiree becomes eligible for Medicare or reaches 65 years of age;

(4) Requires the governing body of any participating member agency to elect to provide the medical coverage and retirement incentive contained in the substitute in order for employees or retirees to be eligible to apply the incentive to their current coverage. The medical coverage will cease immediately for any retiree who becomes re-employed in a full-time covered state position;

(5) Allows the governing boards of Truman State University, Lincoln University, educational institutions listed in Section 174.020, RSMo, the Department of Transportation, the State Highway Patrol, and the Department of Conservation to elect to provide their employees or retirees the same retirement incentive and medical coverage as contained in the substitute;

(6) Allows current employees who elect to retire and who are eligible to receive a normal annuity under HTEHPRS or MOSERS, or a life and any temporary annuity under MSEP 2000, to purchase three years of additional credited service. This election requires an active employment status of one year, and the employment must be immediately prior to the effective date of the substitute. At the employee's option, the additional years of credited service can be added to an employee's total years of service, an employee's age, or a combination of both, and may be used in meeting the normal retirement eligibility requirements. In addition, certain limitations will apply for employees who elect to retire;

(7) Subject to certain conditions, the payment for the additional years of credited service can be made by a number of options, including a cash payment, deductions over a two-year period from benefits paid under the incentive plan, plus interest, or by an eligible rollover distribution from an eligible retirement plan. Employees with annual leave accruals in excess of \$2,000 and who elect to retire will receive payment for the leave accruals and may have the payments placed in the employee's or retiree's deferred compensation plan;

(8) Requires the recalculation of a retiree's annuity and the provision of a lump-sum payment to a retiree;

(9) Establishes a department rehiring cap of 25% for positions that are vacated due to the election to retire. Critical, seasonal positions, or positions that are federally funded may be exempt from this provision;

(10) Prohibits an employee or retiree who elects to retire from obtaining employment with any department covered by HTEHPRS, MOSERS, or MSEP 2000 for a period of three years from the date of election to retire;

(11) Requires HTEHPRS and MOSERS to submit a written report to the Governor, the Commissioner of the Office of Administration, and the General Assembly by April 1, 2004. The report must examine required subject areas and the effects of the incentive provisions contained in the substitute. The period the report must cover is February 1, 2003, to January 31, 2004;

(12) Requires the Office of Administration to submit a budgetary report concerning the effects of the incentive provisions contained in the substitute by April 1, 2004. The subject areas the report must address are also contained in the substitute; and

(13) Requires the MCHCP to submit a report to the Governor and the General Assembly by April 1, 2004. The report must examine required subject areas and certain effects of the incentive provisions contained in the substitute.

The substitute contains an emergency clause which applies to the state employees medical and retirement incentive plan.

FISCAL NOTE: Estimated Net Savings to General Revenue Fund of \$15,348,172 to \$30,696,344 in FY 2004, \$25,189,540 to \$50,402,365 in FY 2005, and \$25,189,540 to \$50,402,365 in FY 2006. Estimated Net Savings to All Other Funds of \$8,074,592 to \$16,149,184 in FY 2004, \$13,335,063 to \$26,682,121 in FY 2005, and \$13,335,063 to \$26,682,121 in FY 2006. Estimated Net Cost to MOSERS of \$0 in FY 2004, \$184,421 in FY 2005, and \$184,421 in FY 2006. Estimated

Net Income to State Courts Administrator of \$0 in FY 2004, \$2,015,423 in FY 2005, and \$2,015,423 in FY 2006. Estimated Net Savings to PSC Fund of Unknown in FY 2004, FY 2005, and FY 2006.

PROPOSERS: Supporters say that the bill as it passed the Senate makes a number of changes to various retirement systems, some of which are technical changes. The bill contains a medical insurance incentive that will help offset the high cost associated with continuing medical insurance coverage for eligible retirees.

Testifying for the bill were Senator Gross; and Missouri State Teachers Association.

OPPOSERS: There was no opposition voiced to the committee.

Joseph Deering, Legislative Analyst